



Executive Summary Unemployment Program (IMR22-01)

Background: The City of Alexandria reimburses the Virginia Employment Commission (VEC) for unemployment claims filed by former City employees. The City's Department of Human Resources (DHR) is responsible for the administration of the unemployment program. DHR received unemployment claims for currently employed personnel which appeared to be cases of identity theft and reported it to the VEC. Subsequently DHR notified the Office of Internal Audit (OIA). OIA reviewed DHR's procedures and VEC quarterly billing reports and compared them to employment records.

Conclusions: Our review indicated that the amount of unemployment claims reimbursed by the City had increased from \$7,121 to \$119,293 in the 2nd quarter 2020. At the same time, we noted that the City had not conducted any mass reductions in force during this time period. The financial impact of the reimbursement was partially offset by the fact that the Commonwealth of Virginia used the Coronavirus Aid and Recovery (CARES) Act funds to pay half of the City's portion of the reimbursement. OIA compared personnel records to the quarterly reimbursable billing report and noted several classifications of personnel who ordinarily would not be entitled to receive unemployment benefits:

- **Personnel who were currently employed**
- **Personnel who had retired**
- **Personnel who had resigned**
- **Personnel who had been separated under adverse circumstances**

Most troubling were personnel who were identified as currently employed. These employees were provided with identity theft protection resources and their information was reported to VEC and law enforcement as possible victims of identity theft. Press releases from multiple government agencies indicated that essentially all state governments across the nation and many employers have been the victims of unemployment fraud. Increased vigilance at all levels will be required to ensure the security of the unemployment program and reduce future financial impact to the City.

Recommendations: Based on the information obtained during our audit, OIA made several recommendations to DHR and the Department of Finance. These recommendations included the following:

- **Develop a written policy with procedure attachment for the unemployment program**
- **Ensure that pension and workers compensation beneficiaries are reported to DHR**
- **Deploy a checklist to assist employees who may be victims of identity theft**

In addition to these recommendations OIA is currently working with law enforcement and the VEC to investigate and request repayment of claims reimbursed by the City.

Relevant Regulations:

- Chapter 6 Code of Virginia
- City Policy and Procedures under development